



Legislative Update

October 14, 2005

Retirement Plan Limits for 2006 Announced

On October 14, the Internal Revenue Service announced the cost-of-living adjustments that will be applied to the dollar limits in all tax-qualified retirement plans in 2006. The limits apply to calendar year plans, and plans that have been amended for EGTRRA. If your plan has not been amended, or you have an off-calendar plan year end, contact your plan administrator to see if there are any changes to your plan.

Defined Benefit Plan Limits

The limitation on the annual benefit under a defined benefit plan increases from \$170,000 to \$175,000.

Defined Contribution Plan

Individual Contributions

The limitation on contributions made on behalf of an individual to a defined contribution plan increases from \$42,000 to \$44,000. Individuals will still be limited to contributions of 100% of compensation or \$44,000, whichever is less.

401(k) Deferrals

This dollar limitation on employee deferrals into 401(k) plan increases from \$14,000 to \$15,000.

Catch-Up Contributions

For individuals age 50 and over, the catch-up contribution limit will increase from \$4,000 to \$5,000.

Annual Compensation Limits

The maximum annual compensation that may be recognized by a plan will increase from \$210,000 to \$220,000.

Key Employees

The dollar limitation for determining whether an employee is "Key" for officers in a top-heavy plan will increase from \$135,000 to \$140,000.

Highly Compensated Employees

The dollar limitation on compensation used to determine which employees are considered highly compensated will increase from \$95,000 to \$100,000. Thus, employees who earn in excess of \$100,000 in the plan year beginning in 2006 will be considered highly compensated for the plan year beginning in 2007.

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